

Fiscal Overview - Iowa

FY 2010:

- U.S. economy entered a recession in December 2007.
- Iowa entered the recession sometime between April and October 2008.
- For 4 quarters, the REC revised revenue projections downward to reflect the declining economic conditions.
- Governor issued a 10% across the board (ATB) reduction in October 2009.
- General Fund Revenue began to show signs of improvement in the last quarter of FY 2010.
- By the close of FY 2010 receipts were 4.3% higher than the March 2010 estimate and FY 2010 ended with a General Fund surplus of \$335.6 million.
- In September 2010, the National Bureau of Economic Research (NBER) announced the recession had ended in June 2009 and lasted 18 months.

FY 2011

- The enacted budget for FY 2011 was based on an original revenue growth estimate of approximately 1.5% (made in December 2009). The 2010 December REC increased the revenue estimate by 6.1%, and the March 2010 REC increased the estimate another 0.8% due to revenues rebounding faster than anticipated.
- While the books are not yet closed on FY 2011, the anticipated surplus is \$483.2 million and the reserve fund balances are projected to be a total of \$436.9 million or 80.5% of the statutory maximum.
- July NCSL report indicates that the worst *MAY* be behind most states:
 - State revenues are growing
 - State year-end balances are stabilizing
 - The overall fiscal outlook is improving
 - 9 states indicate that the FY 2012 Overall Fiscal Outlook is “stable”
 - 8 states indicate “positive/good”
 - 7 states indicate “improving”
 - 7 states are “cautiously optimistic”
 - 5 states “cautious”

- 3 states are mildly concerned.
- A number of significant uncertainties loom:
 - Demands on state budgets
 - The strength and sustainability of economic recovery
 - The impact of federal actions on state budgets
- Iowa is no different in many states that listed the following four factors as some of the most significant budget challenges for FY 2012 and FY 2013:
 - Medicaid funding
 - Revenue performance
 - Impact of natural disasters
 - Strength of economic recovery

FY 2012

- The FY 2012 budget was based on a revenue growth rate of 4.1% and the March REC increased that projection to 5.7%.
- The General Assembly appropriated just under \$6.000 billion.
- Iowa economy is in recovery, but still remains below prerecession revenue peaks which occurred in March 2008.
- Still cautiously optimistic although revenue growth has slowed the last couple of months.
- The projected General Fund ending balance for FY 2012 is \$483.2 million and the reserve funds are estimated to be at the statutory maximum limit of \$593.9.

FY 2013

- The FY 2011 General Assembly appropriated \$5.156 billion for FY 2013. This is approximately 86.0% of the amount appropriated for FY 2012.
- Most of the state agencies' operating appropriations were funded at 50.0% of the FY 2012 level. However, several standing appropriations received appropriations at 100.0% of the FY 2012 level while others received increases. Funding for schools was increased by \$89.1 million which included a 2.0% allowable growth rate.